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1990 PRODUCE OPERATIONS REVIEW

DEPARTMENT AVERAGE HITS 8.8 PERCENT

ORGANIC PRODUCE SALES DWINDLE

SUPERMARKET BUSINESS

OCTOBER 1990 VOLUME 45/NUMBER 10

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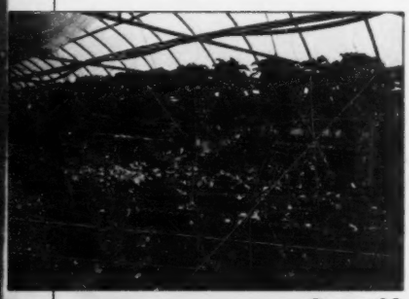

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GARBAGE IN, GARBAGE OUT

By Ken Partch, Editor-in-Chief

Everybody is on the alert for the next new "big" problem, or is it big story? Ever notice? We no sooner solve the problem of international socialism, and begin to talk about being able to save some money on armaments, when Iraq feels it has to fill the "big news" gap. And guess what's over the hill? Our old friend the oil problem. And what's over the next hill? Inflation. And the next? Recession. Sound familiar? You bet.

That's because we don't really like dealing with small problems. Small problems are like gnats. Go 'way, we say. We'll deal with you later. Small problems are like small beer—no news in that. Come back when you are a big problem; then we can deal with you. Big problems are easy to deal with. We appoint a Presidential Commission or a United Nations Council. Then we can deal with it.

It's the same with garbage (or solid waste) and organic farming. We tend to think that these are problems that are so enormous that we'll have to appoint super people to super committees in order to deal with them. Not so. I already solved the problem of garbage in my April editorial. (I said to outlaw it.) I mentioned this to the professional garbage man, William Rathje, the archaeologist who excavates landfills, at the recent NAWGA Midyear meeting where he was a speaker. He agreed. Or I think he agreed, but he may have been simply humoring me while on to his next encounter at the cocktail party.

There really is no shortage of landfill space, says Rathje, it's just that people don't want it near them. At least the politically savvy people don't want it near them. But we all know that there are plenty of places in this country—nay, right here in the city of New York—where it would never be noticed. Take the South Bronx, for example. Start at the Cross-Bronx Expressway and head north. You could make that area one large landfill, and nobody would ever notice. Certainly nobody goes there.

There are parts of Queens and Brooklyn that are absolutely dying for garbage. To say nothing of parts of New Jersey. Look how Mobil and other oil companies have been using Greenpoint in Brooklyn as an oil dump. There's so much oil under that part of Brooklyn that we may have to drill there soon.

Solid waste is really no problem. We're just bored. Organic farming is really no great problem either, when you think about it. We just have to go about giving everybody a little plot of land; say, down by the railroad tracks as they do in Germany and France, and grow our own veggies and fruit in every community—at least in the summer.

Small problems are like gnats, while big problems are easy to deal with.

Perhaps all our veggies and fruit should be grown locally. Of course, we might have a little trouble getting the truck farms back in New Jersey and The Bronx, the way they were when I was a kid, what with Co-op City now on that land in The Bronx, and various shopping malls and housing projects in New Jersey. And it might be a little difficult moving Levittown and the Roosevelt shopping mall off all that potato land out on Long Island, but we can manage.

So what if we can't have fresh oranges and grapefruit in winter? We'll make do with frozen orange juice and grapefruit juice. And there's nothing wrong with frozen and canned veggies either. Of course I and my friends grow their own tomatoes right now—some of them. And some of my friends sometimes lose the whole crop to white flies. And I did spend about $12 on insecticides and fertilizer for this year's crop of tomatoes (I cheat) for about $20 worth of tomatoes at the store. (I prefer mine).

I suppose I could learn to do it organically. I do plant the marigolds with them, but somehow if I don't use the sprays, nasty little things drill holes right through them just before they can be picked. It's either that, as they say, or develop a taste for worms.

As I say, it's the little problems that are difficult, not the big problems. When it comes to the insecticide problem and organic farming, California may soon have the solution. The solution has been neatly packaged in the form of Proposition 128, commonly known as "Big Green." Come Election Day in California, if the voters say "Yes" to the Big Green initiative, they'll just sprinkle a few votes on the problem of growing crops organically, and the problem will be solved. That's the way it's done in California, because they have people who think BIG.

I asked Ellen Haas of the Consumer Federation of America, who was also at NAWGA, why it was that if consumers were so concerned about insecticides on their produce that sales of organic produce at the supermarket are down. Ellen said the price for organic produce is too high. Uh, huh.

Come November, California may have legislated the entire issue of organic farming and insecticides right into yesterday's scrap heap. If they can do it, why can't all of us? Let's have each and every one of the 50 states pass a law—no, two laws. One to outlaw garbage, and the other to outlaw insecticides and fertilizer. Otherwise ...

Seriously though, there is an important connection between solid waste and organic produce. For one thing, if we have nothing but organic produce, we are going to be throwing a lot more of it away, unless we stop being so fussy about worms. And if the price of oil keeps rising, we may need that garbage to help keep us warm, and to help make electricity. That need could put a value on garbage, and that will solve the problem.

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Illustration: Chris Drosse

1990 PRODUCE OPERATIONS REVIEW

BY DAVID LITWAK AND JANET TORRES CEPEDA

Produce sales rose to a record $29 billion in 1989, up 8.4 percent from the previous year. Higher prices accounted for most of the increase; and although the department's share of total store sales went up slightly, its contribution to store profits declined.

Produce department sales soared last year in the nation's grocery stores, hitting a record of $29.03 billion. This represented a significant increase of 8.4 percent over the previous year.

But produce prices went up just as significantly. In fact, produce price increases accounted for virtually all the growth in sales. Average retail prices of fresh vegetables and fruits increased 8.5 percent in 1989.

The price increases were due to many factors. The weather took more than the usual toll on supplies of produce. Some growing areas had droughts, others had too much precipitation, and cold snaps hurt winter citrus crops. In certain categories, imported produce helped to compensate for missing domestic production, but at a higher price than locally grown products.

To put produce's performance in perspective, many categories in the store did not perform as well as produce despite increases in price. For instance, the prices of red meat increased last year, but even higher prices could not save the section from an overall decline in sales of 0.9 percent.

More money, less money

Average weekly produce sales per supermarket rose to $18,186, which amounts to $1,254 more per week than the produce department brought in the year before.

The increase in sales within individual produce departments was almost universal. Ninety-one percent of the stores reporting said that their weekly sales were higher in 1989 than in 1988. Only 9 percent saw no change in produce sales, while no stores experienced a decline.

The higher produce department sales raised the section's share of total store sales slightly last year. Produce now accounts for an average of 8.8 percent of total store sales, up just two-tenths of a percentage point from 1988's 8.6 percent.

This average share of store sales is in the middle of a rather large range of responses. In some stores, produce sales can account for a much higher percentage of the store's sales, as it can often be the featured department upon which much of the store's reputation lies (in the so-called "produce" stores).

Continued

PRODUCE CENSUS, SALES & MARGINS

Produce department sales rose 8.4% during 1989, reaching a new high of $29.03 billion dollars. This increase was mainly a reflection of higher prices.

Average weekly produce sales in each of the nation's 30,700 supermarkets rose to $18,186 last year, with sales through larger stores averaging over $23,500 per week. Prosperity was almost universal, as 91% of the stores reported higher sales in their produce departments during 1989. No stores experienced a decline in produce sales.

On average, produce accounted for 8.8% of total store sales, up slightly from the previous year; and 16.5% of store profits, down from 18.9% in 1988.

Produce Units

Produce departments	30,700
Percent of all supermarkets	100%

Average Weekly Sales

Mean	$18,186
Median	$17,875
By Store Format	
Conventional	$7,353
Super Store	$23,582

Change in Dollar Sales

(1989 vs. 1988)

Higher	91%
No change	9%
Lower	0%
Total	100%
Average reported increase	9.4%

Annual Sales (billions)

Sales, Profits & Margins

Share of Total Store Sales
Mean **8.8%** Median **8.6%**

Contribution to Store Profits
Mean **16.5%** Median **16.1%**

Gross Margin
Mean **34.5%** Median **33.2%**

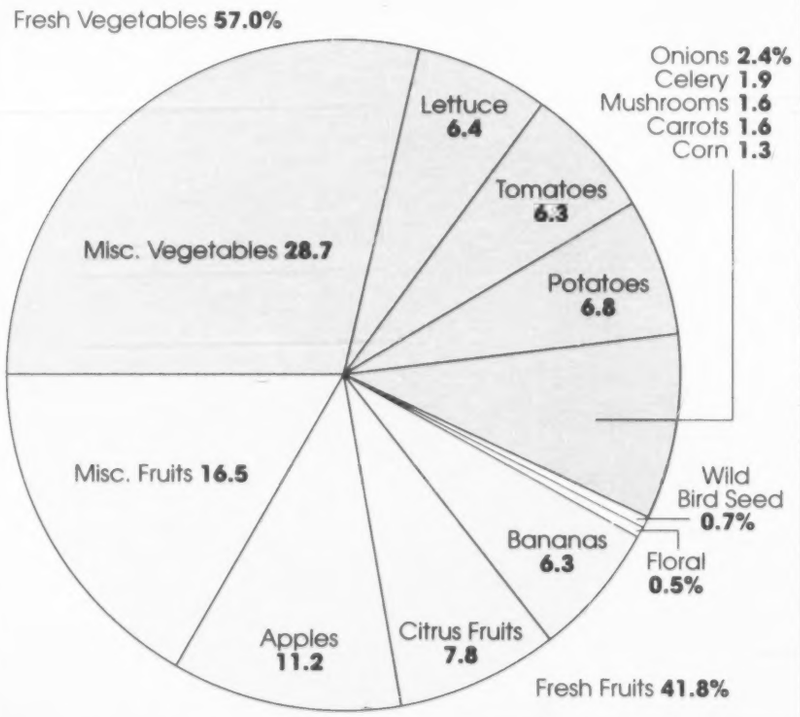
PRODUCT MIX

No one or two product categories dominate produce department's sales. The product mix is made up of many categories with small sales. The category with the highest share is apples, which account for 11.2% of produce sales.

As larger subdivisions go, vegetables still have the majority of the department's sales. They account for 57% of the sales through the section. This is down slightly from a year ago. Fresh fruit sales have increased their share of the produce pie (41.8%) at the expense of the vegetables.

Portioning Out the Produce Sales Dollar

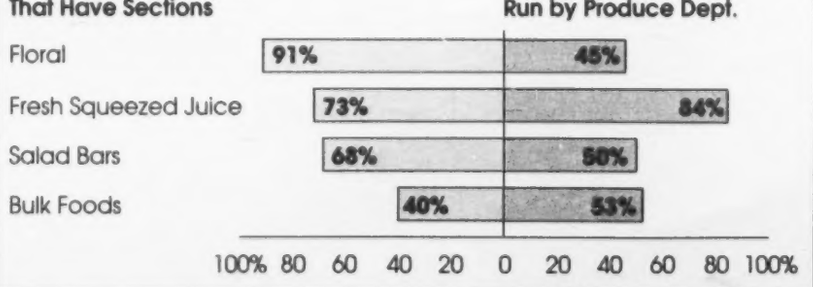
Share of Sales

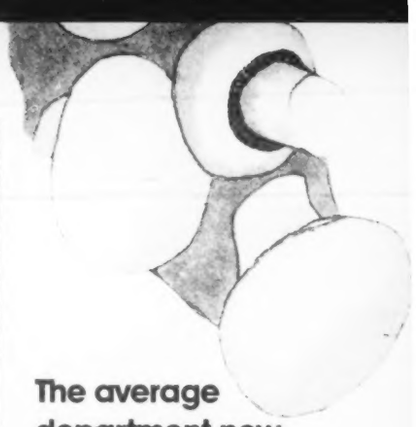


PRODUCTS

The floral section's share of produce sales decreased slightly last year, but this may simply be the result of the separation of the floral section from the produce department in what is now the majority of stores.

Special Sections





The average department now carries 260 varieties of produce, about 50 more than in 1988; and during the summer months, this average goes up to about 300 products.

Gross margins for produce are up as well. The average margin garnered for the whole department last year was 34.5 percent, as compared with 32.8 percent a year ago.

The only area in which the results faltered were in the average contribution that the department made to total store profit. In 1989, the produce department accounted for 16.5 percent of store profits, down from 18.9 percent in 1988.

This does not mean that produce is suddenly less profitable. If margins and labor costs are an indication, then the department has stayed at about the same level of profit it enjoyed the year before. But the profits generated by some other store departments have increased, thereby lowering produce's percentage share.

There seems to be both good news and bad news on the labor front. The amount of labor needed to run the department decreased slightly last year. It now takes 4.9 full-time equivalent employees to man the department, down from the 5.3 it took in 1988.

The decrease was in the amount of part-time workers that the average section employs. In 1989, part-timers were down to 2.9 on average per department, from 1988's 3.7. There was no change in the number of the more expensive full-time employees (3.4).

Despite the drop in the number of workers, however, the percentage of produce sales that went to pay for labor stayed the same. It

The produce department's sales continue to grow at a faster rate than it's physical size. Sales per square foot rose to $3.81in 1989, a 4.7 percent increase.

still takes about 8.6 percent of department sales to pay for the section's labor costs. This indicates that the costs per employee rose during 1989.

One happy note is that the average weekly sales per employee also rose last year. Between higher departmental sales and a decrease in the number of workers in the department, sales per worker rose to an average of $3,711 per week.

More products

It is quite an achievement that the produce section was able to reduce staff, especially in the face of increased numbers of products. On a year-round basis, the average department now carries 260 varieties of produce, about 50 more than in 1988. During the summer months, this average goes up to about 300 products.

The gap between the number of products in the produce section during the summer and the rest of the year is shrinking. Imports, hot-house-grown produce, new varieties, exotics and ethnic produce have helped keep the department abundantly stocked, even during the heart of the northern winters.

The vast majority of produce sales continue to be in bulk products. Last year, 77 percent of sales were through bulk sales, with only 23 percent coming from prepackaged produce. A majority of these packaged sales came from such items as potatoes, onions, carrots and mushrooms—that is, those items packaged by the grower and not in the store.

The warehouse is still the place from which most produce is brought to the store. Only about 3 percent of produce is delivered directly to the store rather than through a warehouse. *Continued*

SPACE, LOCATION & EQUIPMENT

Average Weekly Sales Per Square Foot of Space

Mean	$3.81

By Store Format

Conventional	$3.39
Super Store	$4.72

The average produce section added 116 sq. ft. last year, helping to ease the space crunch caused by the addition of many new varieties of produce on a year-round basis, as well as new services such as juice bars.

The produce department still occupies, on the average, just over 12% of overall store space. Since sales increased faster than space in 1989, sales per square foot rose, from $3.64 to $3.81.

Most produce departments have a wide array of equipment, including refrigerated cases, dry and wet tables, corers, shrink wrappers, misters, random weight scales that are connected to the central scanning processor, and juicers.

Size of Department

Square Feet of Space

Mean	4,774 Square Feet
Median	2,840 Square Feet

By Store Format

Conventional	2,170 Sq. Ft.
Super Store	5,000 Sq. Ft.

Share of Total Store Space

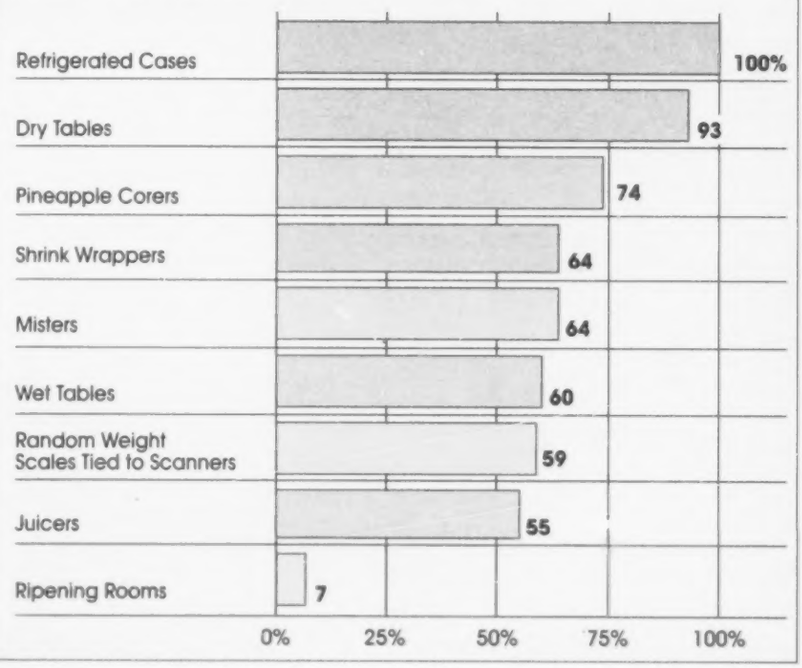
Mean	12.2%
Median	10.9%

By Store Format

Conventional	12.4%
Super Store	11.3%

Well-Equipped Produce Dept.

(Percent of Stores That Have)



LABOR & SERVICE

It now takes fewer employees to run the average produce department. Only 4.9 full-time equivalent employees per department were required in 1989, down from 5.3 in 1988. But since most of the reduction in workers came from part-timers, there was no real savings in terms of the percentage of produce sales going to pay for labor (8.6%).

Bulk sales continued to dominate the way in which produce categories are merchandised and sold. Seventy-seven percent of all department sales last year were from bulk merchandising.

Number of Employees

Full-time	3.4
Part-time	2.9
Full-time Equivalent	4.9

Full-time Equivalent Employees

Fewer than 3	1%
3–4	24
5–6	33
7–9	42
Total	100%

*Two part-time=one full-time employee

Average Weekly Sales per Employee*

Mean	$3,711
$2,000 or less	3%
$2,001 –$3,000	24
$3,001 –$4,000	46
Over $4,001	27
Total	100%

*Full-time equivalent employees

How Much for Labor

(Labor as a Percent of Product Sales)

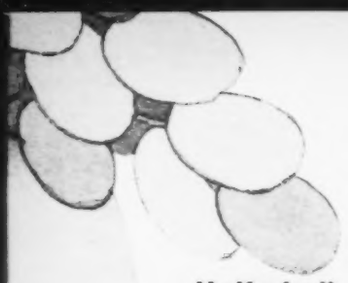
Mean	8.6%
Median	8.2%

8% or less	29%
8%	16
9%	23
10%	32
Total	100%

Items Sold Packaged or Bulk

(Percent of Products)

	Mean	Median
Packaged	23%	28%
Bulk	77%	72%



Half of all produce directors say they are receiving a greater share of the store's advertising budget than the department's share of total store sales.

About 11 percent of an average store's produce supply is locally grown, but most of this produce appears to go through a central warehouse before getting into the stores. There is very little "farm direct" shipping of produce to the store's back door. Still, buying locally grown produce eliminates the time it takes to ship produce across the country, which still can be significant in terms of the freshness of certain items.

Product mix

Vegetables still account for the majority of produce sales. Fifty-seven percent of the department's revenues were from vegetables last year, down just half of a percentage point from 1988.

Potatoes continue to be the biggest seller in the vegetable group. They account for 6.8 percent of all produce sales. This is down slightly from last year's 7.4 percent. This loss was offset almost entirely by a gain in tomatoes, which increased their share of produce sales from 5.7 percent to 6.3 percent last year.

Fresh fruit's share of produce sales increased slightly last year, growing from 41.0 percent in 1988 to 41.8 percent in 1989. Apples continue to be the strongest performer within the entire department. They now account for 11.2 percent of sales, up significantly from the 9.4 percent.

As for other varieties of fruit, bananas gained 0.9 percent of sales to bring their share up to 6.3 percent, while citrus fruits lost some ground and wound up accounting for 7.8 percent.

Once again, produce sales were made up of many small sales of a large variety of items. The 13 individual product categories that account for the highest shares of departmental sales only accounted for 54.8 percent of the total.

The other 45.2 percent of sales went to the numerous miscellaneous fruits and vegetables whose individual sales are too small to note separately. The bulk of the 260 items that the average department carries are these small sale items.

One change that has been continuing over the last few years is in the status of the floral section. Roughly 91 percent of supermarkets now have some sort of floral department. These run the gamut from the minimalist selections of potted plants and soil to the full-service, wire-service-affiliated florists.

The change is that only 45 percent of the floral departments are still run by the produce department. The rest, and this includes most of the larger sections, are independently managed.

A great deal of space is necessary to contain the ever-growing assortment of products and services found in today's produce department. As the number of items has grown, so too has the physical size of the department. The average produce department (4,774 sq. ft.) in 1989 was 116 sq. ft. larger than in 1988.

This means that produce generally accounts for about 12 percent of the floor space in the average supermarket. This percentage is higher for conventional stores than it is for the larger stores.

Continued on page 40

SUPPLY

The average number of produce products found on the department's shelves and bins rose last year. Year-round, stores carry an average of 260 items, an increase of 50 over the previous year. During the summer, stores have about 300 items on display. The year-round supply of many items has closed the gap between summer and winter selections of products.

Locally grown products are not a big source of supply for most supermarkets, accounting for an average of only 11% of stores' produce.

Varieties of Produce Items Sold

Varieties	Year Round Mean 260	Summer Months Mean 300
100 or less	32%	2%
101-200	14	10
201-300	32	38
Over 300	22	50
Total	100%	100%

Sources of Supply

Delivered Direct to Store	3%
Through Warehouse	97
Total	100%

Use of Locally Grown Products

Mean 11.0%

(Percent of Items)	
Less than 5%	13%
5–9%	11
10–14%	54
15% & Over	22
Total	100%

MERCHANDISING & CUSTOMERS

The produce section succeeded in luring more customers than ever to their bins. An average of 69% of all store shoppers made a purchase from the produce section last year. This was up from a 61% purchase rate in 1988.

The average amount of each purchase was up as well. Last year, customers spent an average of $2.64 each time they bought fresh fruits or vegetables, up 7.3% from 1988.

How Customers Spend

Percent Who Shop the Produce Department

Mean 63% Median 60%

How Much They Spend

Mean	$2.64
Under $1.00	17%
$1.01–$2.00	14
$2.01–$3.00	33
$3.01 or more	36
Total	100%

Use of Signage

(to Explain Exotic Varieties)

	% Companies
Use signage	45%
Limited use of signage	51
No signage	4
Total	100%

ADVERTISING & PROMOTION

Retailers used an effective mix of advertising media to bring customers into their produce departments. Newspapers, store circulars, sampling and point-of-purchase are still the most widely used means of advertising produce.

Promoting Produce

	% Using
Newspapers	100%
Circulars	89
Sampling	88
Point-of-purchase	86
Radio	67
Television	56

Produce's Share of Ad Space Compared to Share of Sales

Greater	50%
Less	12%
Equal	38%
Total	100%

Continued from previous page

was 59 cents per pound).

Here are some tips on sweet potato promotions, care and handling, designed to boost sweet potato sales at both holiday periods and any other time of the year:

- Cross merchandise sweet potatoes during holiday peaks (Thanksgiving, Christmas, New Years, Easter) by featuring them in ads along with hams, marshmallows, syrup and brown sugar.
- Beyond the holidays, push the nutritional values of sweet potatoes, one of the most nutritious foods in the produce department.
- Promote the versatility of sweet potatoes. They can be baked, microwaved, deep fried, mashed or eaten raw.
- Produce personnel should be instructed to handle sweet potatoes with care (they bruise easily). Sweet potatoes, like tomatoes and Irish potatoes, should never be refrigerated.
- Because sweet potatoes require moist air, retail displays in perforated poly bags or overwrapped trays can help to prevent drying and will deliver a more satisfactory product to the consumer.

Above all, recipe and use tips will pay off big at the point of sale. Here are a few ideas from the North Carolina Yam Commission:

- Slice raw sweet potatoes into slender sticks, as you would carrots, and enjoy them with a favorite dip.
- Shred raw sweet potatoes over tossed salads for extra color and added taste.
- Slice sweet potatoes into thin "chips," then toast until crispy (in a 350 degree oven) after brushing them lightly with vegetable oil.
- Mix shredded sweet potatoes with chopped onion and parsley, form into patties and brown until crisp in a skillet for a colorful and crunchy "potato pancake" side dish.
- Add cubed sweet potatoes to beef stew or fresh vegetable soup.
- Use cooked leftovers (cut into cubes) to add color and flavor to a Waldorf salad recipe.

From the earliest days of recorded American history, sweet potatoes have been an important food, providing excellent nutrition, good taste and versatile meal uses. A reasonable effort by produce departments today will help restore them to their rightful place as an important food in the American diet. ■

WHERE SWEET POTATOES ARE GROWN

With a 30 percent increase in consumption having developed over the past decade, the sweet potato industry is anticipating a continuing increase in volume produced in the near-term future.

In 1989, more than 348,000,000 pounds of sweet potatoes were produced in the major areas:

- North Carolina: The heaviest producing area, supplies almost exactly 50 percent of total production, at 178.5 million pounds. The Centennial Garnet and Jewel varieties are the major "soft-fleshed" sweet potatoes grown in North Carolina. The skin color of these varieties ranges from deep purple or red to a bright orange; the flesh color is a deep orange for all three.
- California: The second-largest producing state (and the one that has shown the greatest increase in production over the past 10 years) shipped 107.2 million pounds last year. This area is the primary source of the Puerto Rico variety, the drier sweet potato with light rose skin color with an orange-yellow flesh.
- Louisiana: Sweet potato production is a long-standing tradition in Louisiana. In recent years, production volume has fallen off substantially because lower yields per acre kept Louisiana from being competitive with North Carolina and California. But a new variety, developed in Louisiana for production in that state, has proved to be winner. Called the Beauregard, it was first shipped commercially in 1988. This year, it is expected that over 90 percent of the Louisiana sweet potatoes shipped will be Beauregards.

Not only does the variety have a high production yield per acre, but it also has excellent consumer-appeal features: a light-rose skin color, a sweet taste, and a uniform shape. Also, it is stringless when baked. Based on acreage planted, it is anticipated that the 39 million pounds shipped last year will be substantially increased this year.

Other major producing states are Georgia (16.9 million pounds) and Alabama (6.1 million pounds shipped). New Jersey, South Carolina, Texas, Delaware, Maryland and Virginia all ship sweet potatoes commercially, but the total volume shipped annually from these states is less than 10 million pounds.

Forty-five percent of the total sweet potato shipments take place during the months of October, November and December, with an additional 12 percent shipped in the month before Easter (usually the month of March). For the other six months of the year, except for June and July (when sweet potatoes are virtually off the market), average shipments are 25 to 30 million pounds per month.

PRODUCE OPERATIONS REVIEW

Continued from page 27

Because dollar sales in the department continue to grow at a faster rate than it's physical size, the sales per square foot also increased last year. In 1989 the produce department brought in an average of $3.81 per square foot per week. This was an increase of 4.7 percent, or 17 cents.

Bringing in the customers

The produce department has succeeded in drawing in the customers. On the average, 69 percent of the store's customers make a purchase from the produce department on any given shopping trip. This was an increase from the 64 percent who shopped the section the year before.

Not only are the number of customers up, but so is the amount that each spends on produce. In 1989 the average produce transaction was $2.64, which was up 7.3 percent from the $2.46 transaction of 1988. This increase is in line with the price increases in produce during 1989.

Retailers, in order to continue to draw a large percentage of shoppers into the department, have made effective use of advertising. Most use a variety of media to get the produce message across. Newspapers, store circulars, sampling and POP materials are almost universally used when promoting produce. At the same time, television and radio ads are slowly becoming more common.

Most produce directors believe that their department is receiving its fair share of the store's advertising. Fifty percent say that they are receiving a greater share of the store's advertising budget than the department's share of sales. An additional 38 percent say their share of the ad budget is equal to their department's sales contribution.

A greater effort is being made to move the harder-to-sell produce items. Currently, 45 percent of companies claim to use good signage to help explain exotic varieties, with an additional 50 percent reporting that they have some limited signage. In 1988, only 19 percent claimed to have good signage explaining the exotics, while 78 percent said they had only limited signage.

With 8.8 percent of a store's sales coming from the produce department, produce is certainly very important to the grocery store. But the grocery store is just as important to the produce industry.

Currently, two-thirds of all retail produce sales are made in grocery stores. Only a third come through produce markets, green grocers, farm stands, farmer's markets or other specialty stores.

The percentage of sales through grocery outlets is even higher for some individual items—especially exotic items, or those that are imported or branded—and for most fruit. Ninety percent of all apples were sold in grocery stores last year; for all fruits, the figure was still a very high 82 percent.

Since many Americans report that they are interested in adding more fresh produce items to their diets, this would seem like a good time for both growers and grocers—whose successes are closely tied together—to continue to work toward enhancing the promotion and presentation of produce. ■

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO 4 WEEKS ENDING 5/18/90	4 WEEKS ENDING 6/15/90	4 WEEKS ENDING 7/13/90
BABY NEEDS	**– 5.3%**	**– 5.8%**	**– 3.2%**
Baby Powders	– 6.8	– 8.9	+ 7.5
Baby Oils, Creams & Lotions	– 10.0	– 13.6	– 15.5
Infant Clothes	– 5.5	– 0.5	– 8.7
Nursing Supplies	+ 0.6	+ 4.0	+ 6.0
MISC. PERSONAL NEEDS	**+ 15.9%**	**+ 15.1%**	**+ 10.6%**
Contraceptives	+ 14.7	+ 14.0	+ 7.8
Personal Lubricants	+ 22.0	+ 18.5	+ 13.7
Home Testing Kits	+ 21.5	+ 19.4	+ 16.2
Thermometers	+ 8.2	+ 12.2	+ 17.6
DEODORANTS	**+ 5.0%**	**– 1.7%**	**+ 1.2%**
Sprays	– 11.1	– 12.6	– 13.2
Roll-Ons	+ 3.8	– 1.2	– 2.1
Stick Deodorants & Pads	+ 12.6	+ 4.0	+ 8.7
Creams	– 4.6	– 8.9	– 3.5
Deodorants & Talcum Powders	– 16.6	– 18.2	– 7.9
Feminine Hygiene Deodorants	+ 10.9	+ 18.6	+ 24.1
Foot Deodorants & Athlete's Foot Remedies	+ 5.5	– 7.6	+ 7.2
Feminine Douches	+ 12.8	– 0.2	+ 4.2
FIRST AID	**– 4.4%**	**– 4.1%**	**– 3.2%**
Antiseptics	– 0.6	– 3.7	– 2.5
First Aid Products	– 6.4	– 4.8	– 4.1
Elastic Goods & Dressings	+ 83.0	+ 65.7	+ 68.7
HAIR CARE NEEDS	**+ 0.6%**	**+ 0.8%**	**+ 1.8%**
Shampoos	– 1.1	+ 1.7	+ 0.5
Hair Sprays	– 1.0	– 2.5	+ 0.5
Hair Conditioning Rinses	+ 5.4	+ 3.0	+ 4.7
Hair Setting Needs	+ 10.7	+ 5.5	+ 12.5
Home Permanent Kits	– 3.8	– 15.8	– 13.4
Hair Coloring	+ 0.5	+ 3.0	– 2.5
Hair Dressing Needs	– 10.5	– 5.4	– 1.9
ORAL HYGIENE	**+ 1.4%**	**+ 1.7%**	**– 0.1%**
Toothpastes & Powders	+ 1.3	+ 3.1	– 0.2
Mouthwashes	– 5.5	– 2.1	– 2.5
Breath Fresheners	+ 5.1	+ 9.5	+ 1.1
Denture Cleaners	– 0.3	– 1.1	– 8.7
Denture Adhesives	+ 1.5	+ 1.0	+ 0.4
Toothbrushes	+ 11.5	+ 5.7	+ 4.2
Dental Aids	+ 9.8	– 9.8	+ 6.0
PROPRIETARY REMEDIES	**+ 3.4%**	**+ 3.2%**	**– 3.9%**
Antacids	+ 1.9	+ 2.9	– 3.1
Internal Analgesics	– 2.4	– 1.3	– 5.7
External Analgesics	+ 18.8	+ 15.8	+ 14.6
Cold Remedies	+ 2.5	+ 8.6	+ 8.4
Nasal Sprays/Drops/Inhalers	+ 0.4	+ 3.5	+ 4.5
Chest Rubs	– 0.6	+ 9.9	– 2.9
Cough Remedies	– 0.5	+ 13.1	+ 6.6
Laxatives	+ 0.6	+ 0.1	– 2.2
Sleeping Aids	+ 2.8	+ 5.0	+ 5.3
Tranquilizers	– 14.4	– 16.2	+ 12.9
Eye Care Products	+ 1.4	+ 0.1	– 0.9
Appetite Suppressants	– 25.6	– 20.3	– 18.1
Synthetic Vitamins	+ 9.4	+ 7.1	+ 1.3
Natural Vitamins	+ 4.4	+ 4.9	+ 5.1
Misc. Proprietary Remedies	– 0.4	+ 3.9	+ 1.3
SHAVING NEEDS	**+ 4.7%**	**– 3.1%**	**– 4.6%**
Shaving Creams	– 2.2	+ 2.1	+ 1.6
Pre-Shave Lotions	– 9.9	– 19.1	– 12.2
After-Shave Lotions	+ 5.6	+ 1.5	– 5.1
Razor Blades	+ 8.1	– 5.4	– 2.6
SKIN CARE AIDS	**2.8%**	**– 1.2%**	**+ 5.7%**
Hand & Body Creams & Lotions	– 3.7	+ 0.9	+ 8.5
Facial Preparations	– 9.2	– 14.0	+ 0.2
Lip Care Products	– 7.5	+ 3.1	+ 1.9
Suntan Lotions & Oils	+ 6.9	+ 2.5	+ 15.9
Cosmetic & Medicated Skin Aids	+ 2.5	+ 1.2	+ 1.4
TOTAL ALL CATEGORIES	**+ 0.1%**	**+ 0.6%**	**+ 0.3%**

HBA FOOD STORE UNIT SALES INCH AHEAD THROUGH MID-JULY

Skin care aids replace proprietary remedies as the product group growth leader.

BY ALAN B. MILLER JR.

For the third 28-day period in a row, health and beauty aids managed to record a volume gain in both dollars and units in the period ending July 13, 1990, compared with the corresponding period of a year ago. The latest mini-advance was a little less than 0.2%, but this gain in units was surpassed only by a 0.2% increase for shelf-stable foods and a plus of 0.5% for frozen foods. In all departments combined, there was a four-week decline of 0.5% during the reporting period.

On a unit measurement basis, the highest loss rate was a 2.5% drop in the dry grocery nonfood department. For the 52-week period ending July 13, three departments registered declines, all less than 1%: dry grocery nonfood (–0.8%), frozen foods (–0.3%), and HBA (–0.4%). For the 12-week span, however, the only gain was the 0.4% improvement in unit sales through food stores of health and beauty items tracked in 57 categories by Arbitron/SAMI.

On a retail dollar basis, there were gains in all five SAMI departments ranging from a high of 10.1% for refrigerated foods to a low of 0.7% for dry grocery nonfood items. The 4.0% gain during the four-week span for the HBA department was slightly less than the 12-week advance of 4.7% and the 52-week upward trend of +4.2%.

Drugstore sales slower

The current HBA trend is substantially superior for food stores than for drugstores in the same 54 major markets combined. As of the same four-week period, drugstores lost 3.8% in unit sales, although dollar sales were up 2.8%. Nationally, drugstores also recorded unit declines on both a 52-week basis (–1.8%) and a 12-week basis (–4.0%).

At the product group level, food stores showed gains in four groups, and losses in five. During the preceding period (ending June 15), the gain was triggered by a 3.2% increase in proprietary remedies. In the succeeding period, however, there would have been a unit volume loss if not for a 5.7% increase among skin care aids, a product group that had been trending downward and that still has a negative trend (–2.8%) for the full year. The highest product group gain rate was 10.6% for miscellaneous personal needs, but this gain was based on a fairly small base of high-priced items. The highest four-week loss rate for a product group was 3.2%, found in both the baby needs and first aids product groups.

Baby needs products mixed

In the baby needs group, the latest four-week unit trend indicates an improvement in two of four categories. Although the product group still shows an overall minus of 3.2%, there was a gain of 7.5% in four-week sales of baby powders, which—combined with a 6.0% gain for nursing supplies—partially offset the worsening trends for baby oils, creams & lotions (–13.5%) and infant clothes (–8.7%).

All four categories of miscellaneous personal needs had plus volume, ranging from a high of 17.6% for clinical thermometers to a low of +7.8% in the contraceptives category, which continues to benefit from the AIDS crisis.

Eight categories of personal deodorants/antiperspirants are tracked by SAMI. For the four weeks ending July 13, half of these categories gained and half lost. The most striking loss rate was in spray deodorants (–13.2%), which was more than offset by the continuing strength among stick deodorants, a category in which four-week units increased nearly a million units over the July

1989 reporting period. The highest percentage gain was 24.1% in the feminine hygiene deodorant category. The other gains were among foot deodorants and athlete's foot remedies (+7.2%) and feminine douches/washes/powder (+4.2%).

The first aid product group remains in the doldrums. The only category with a gain was elastic goods and dressings, which had a 68.7% increase in retail units, primarily as a result of tracking items that were not included in the category in 1989.

Among hair care needs categories, gains outweighed losses by four to three. The 1.8% four-week gain was aided by increases in the four highest-volume categories in the product group. Both shampoos and hair sprays advanced half a percentage point, and the gain rates were an impressive 4.7% for hair conditioning rinses and 12.5% for hair setting needs. The loss categories on a 12- and 52-week basis continue to be home permanent kits and hair dressing needs. Sales of hair coloring items were down 2.5% for the four weeks, but managed a gain of 0.2% during the 12-week interval.

More categories of oral hygiene had gains than losses, but the product group fell below the plus column by 0.1%. The best four-week gain was 6.0% for dental aids which, in units, is dominated by sales of dental floss. The highest four-week unit loss rate was 8.7% for denture cleaners, a category also with losses for the longer term periods.

Proprietary remedies account for the highest unit volume of all HBA categories monitored by SAMI. Here categories with gains outnumbered losers nine to six, but the losses occurred in high-volume categories such as internal analgesics, down 5.7% (more than a million units). Overall losses more than offset gains of 14.6% for external analgesics, 8.4% for cold remedies, 5.3% for sleeping aids and 5.1% for natural vitamins, minerals, and supplements.

In proprietary remedies categories, gains outnumbered losers nine to six, but the losses occurred in high-volume categories.

The advent of the new Gillette Sensor has not been successful in reversing the trend of the shaving needs product group. During the four-week span, the only gain was 1.6% for shaving creams. The highest loss rate was 12.2% for pre-shave lotions, followed by a decline of 5.1% for after-shave lotions/cologne. Razor blades, a category that now includes razor sets (formerly a separate SAMI category), had a shortfall of 2.6% for the four-week period.

Once again, after a long absence as a growth leader, the skin care aids product group gets credit for pulling up the entire HBA category. All five of its categories were in the four-week plus column, in sharp contrast to the fact that on a 52-week basis, the only category with a gain was suntan lotion/suntan oil. The four-week gain in the high-volume hand & body creams/lotions category was 8.5%, a vast improvement over its annual change of –0.4%. ■

GM/HBA ISSUES

Continued from page 79

complete sell-through. The final results in this example indicate that the promotion contributed a final net profit of 32 percent after markdowns.

While it is true that, in these two examples, the markdown did result in a 3 percent to 5 percent decrease in the initial projected gross profit, the final result should be more than acceptable for promotional merchandise. Also, in these examples, the marked-down prices returned the approximate cost of the merchandise.

With the effective use of a markdown program, odds and ends of promotional and seasonal merchandise are eliminated along with any negative perception of GM promotions. The most important advantage of a markdown program, however, is that it frees up space for new promotional merchandise and a continuous schedule of profitable promotions.

In an effective GM merchandising promotional program, the word markdown is not a "dirty word." It denotes a merchandising tool that is effective when used wisely. ■

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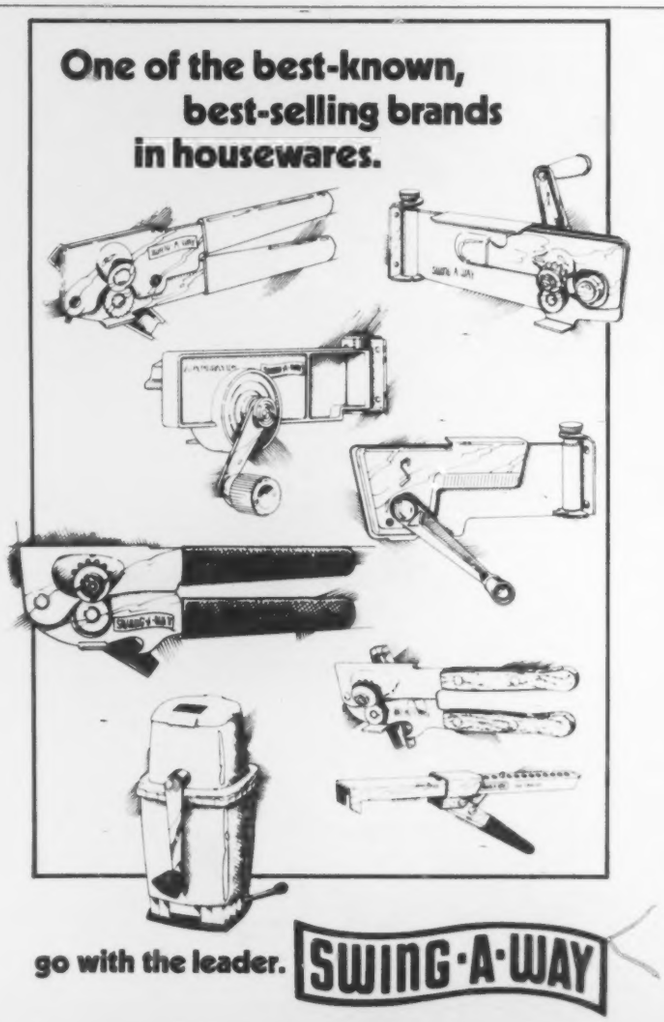
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